

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2346 – SB 2208

March 13, 2012

SUMMARY OF AMENDMENT (014412): Deletes all language after the enacting clause. Removes current statutory provisions requiring local education agencies (LEAs) and individual schools to meet performance goals based on adequate yearly progress (AYP). Requires the State Board of Education (SBE), in consultation with the Commissioner of Education, to establish appropriate performance goals and measures. Requires the Commissioner of Education to present annual achievement and achievement gap closure goals to the SBE by September 1 each year for the state and LEAs. Each LEA will be evaluated by a combination of overall student achievement data and achievement gap closure targets as set by the SBE. If an LEA achieves both achievement and achievement gap closure goals, it will be identified by the Department of Education (DOE) as an exemplary LEA; will be authorized to develop and maintain school improvement plans without DOE approval; and will be granted flexibility in funding by DOE. If an LEA misses the achievement target, achievement gap target, or both, the LEA will be subject to at least one of the following: placement on a public list of LEAs that need improvement; creation of a plan for corrective action and submission of this plan to the Commissioner of Education for approval; and preparation and submission of a detailed analysis of its student achievement results to the Commissioner of Education, with a plan to achieve its annual measurable objects.

Requires the Commissioner of Education to recommend to the SBE a list of all schools that will be placed in priority, focus, or reward status. Schools receiving priority status will be in the bottom five percent of schools in overall achievement and will be subject to one of the following: turnaround through LEA adoption of a school improvement grant (SIG) intervention model or other improvement process approved by the Commissioner; turnaround under the governance of an LEA innovation zone; or placement into the Achievement School District (ASD). LEAs with a school or schools that are identified as focus schools must submit a plan to improve factors that identify the school or schools as a focus school. Reward schools will share their methods with the state to be disseminated to other LEAs and schools as best practices.

Authorizes LEAs to create Innovation Zones for schools designated as priority schools, upon the Commissioner of Education's approval. Requires LEAs that create such zones to establish an Innovation Zone office that will have autonomy over financial, programmatic, and staffing decisions for schools in the Innovation Zone. Removes multiple statutory references to AYP.

Removes statutory provisions relating to the establishment and operation of an ASD. Reauthorizes the Commissioner of Education to establish an ASD and to contract with entities to operate schools placed in the ASD. Authorizes the Commissioner to place any school or grade configuration within a school into the ASD at any time such school is placed on the priority list. Authorizes the ASD to receive, control, and expend state and local funds for

schools within it and to seek, receive, expend, manage, and retain federal funding for the operation of its schools. Authorizes the ASD to receive, control, and expend local, state, and federal funding for the operation of its schools. Requires that the ASD receive state and local per pupil expenditures for students within its jurisdiction. Authorizes the ASD to receive donations of funds, property, or securities from any source for the benefit of the ASD and the schools within it. Requires that any state and local funds allocated to the ASD but not expended to support an ASD school or LEA be placed in a special reserve fund. Returns this funding to the LEA upon removal from the ASD.

Authorizes the ASD to use any school building and all facilities and property otherwise part of the school free of charge with the exception of its responsibility for routine maintenance and utilities. Specifies that capital expenses and extensive repairs are the responsibility of the home LEA. Requires that improvements made to a school while under ASD control revert to the LEA upon removal from the ASD.

Classifies employees of schools transferred into, and directly operated by, the ASD as ASD employees. Requires the ASD to develop written employment procedures and compensation and benefit plans. Prohibits ASD employees from engaging in professional negotiations. Maintains teachers' rights related to accumulated sick leave, retirement, and pension and tenure status. Authorizes the ASD or other contract entity operating an ASD school to apply to the Commissioner of Education for waiver of any SBOE rule inhibiting the school's ability to increase student achievement. Prohibits the Commissioner from waiving certain enumerated rights.

Requires a school removed from an LEA and placed in the ASD to remain in the ASD for a minimum of five years, but authorizes the Commissioner of Education to remove any school from the ASD at any time. Requires the Commissioner to develop a transition plan for the removal of schools and LEAs from the ASD after the school has improved student performance for two consecutive years. The transition plan must be fully implemented after the school has improved performance for five consecutive years, unless the LEA is identified as an LEA in need of improvement and the parents of 60 percent of the students enrolled in the school sign a petition asking for the school to remain in the ASD. Such school shall return to the LEA after the LEA is no longer identified as in need of improvement provided the school is not a priority school.

Directs the ASD to be the chartering authority for any charter school placed within the ASD. Notwithstanding any other provision, the Commissioner of Education has the authority to remove any school from the ASD at any time. LEAs are authorized to continue to support the educational improvement of schools under the direction of the Commissioner of Education in accordance with contracts. Authorizes individuals, governmental or non-profit entities that contract with the Commissioner to voluntarily work with the LEA in providing schools professional development, technical assistance, instructional and administrative support, or facilitating other beneficial support. Requires any contracts to operate schools placed within the ASD to include provisions mandating a report of funds received and expended pursuant to such contracts. Requires that these reports be provided to the Department of Education and the Comptroller of the Treasury.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Not Significant

Increase Local Expenditures – Not Significant

Other Fiscal Impact – State and local BEP funding will shift from the local education agency to the Achievement School District. The Department of Education estimates that this shift in funding will be \$11,786,100 in FY13-14; \$37,438,200 in FY14-15; and \$38,651,200 in FY15-16. Local funding may be permissively reallocated or increased to fund Innovation Zones. The total amount of this permissive reallocation cannot be reasonably quantified and is dependent upon the number of Innovation Zones established.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions applied to amendment:

- State and local BEP funding will shift from the LEA into the ASD as more schools are placed into the ASD. However, the shift of this funding is currently authorized absent any other funding to operate an ASD school.
- No increase in state or local expenditures will result from schools shifting their home LEA into the ASD. LEAs will continue to fund their required BEP local match for any school placed within the ASD just as if the school were under LEA control.
- According to the Department of Education, an estimated six schools will be in the ASD in FY12-13; 18 schools in FY13-14; and 35 schools in FY14-15.
- Provisions related to restructuring LEA school classifications for the purpose of achievement will not require additional personnel or a decrease in other budget items. Any increase in state expenditures to restructure the achievement and achievement gap system will be not significant.
- Any increase in state expenditures for the SBOE to review the list of schools and their classifications or to promulgate rules and regulations required by these changes will be not significant.
- School personnel and equipment in schools placed into the ASD will become part of the ASD.
- LEAs that choose to establish Innovation Zones will reallocate existing funding and personnel to fund the Innovation Zone. If necessary, LEAs may permissively increase local expenditures; however, this increase cannot be reasonably quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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